

Taiwan and the Asian crisis

Vincent Siew, the prime minister of Taiwan, discusses his country's role in East Asia's economic turmoil and its relations with China

THE economic turmoil sweeping East Asia has served to underscore the inherent economic, political and diplomatic resilience of Taiwan, Republic of China. It has come through the recent financial windstorm relatively unscathed, its elections have speedily gained the normalcy of a mature democracy and its diplomatic efforts have demonstrated pragmatic flexibility in building upon Taiwan's already substantial trade and investment relations to raise its international profile. What Taiwan has to offer the region is increasingly important at a time when East Asia's economic confidence and stability are being put to the test.

Even though Taiwan's economic growth for the fourth quarter of 1997 will undoubtedly be affected by the financial troubles of Asia, the domestic economy should still grow by 6.7%. This is primarily because Taiwan's economic fundamentals are in order: Taiwan enjoys a current-account surplus, has a negligible foreign debt of \$100m and possesses more than \$82 billion in foreign-exchange reserves.

Of course, during such times, markets do not always focus on the fundamentals. All economies in East Asia tend to be tarred with the same brush, regardless of the very real differences in type and degree of economic difficulties. This is perhaps because past expectations for overall regional growth were too optimistic. However, the government remains confident that Taiwan's solid fundamentals, coupled with prudent management of the banking sector and diversification of investment risk over a variety of areas, will do more than just help Taiwan weather the current economic storm in the region and continue becoming more competitive in the global economy of the future. These fundamentals can also serve as a source of stability for East Asia, in concert with the current financial mechanism already in place.

However, this possibility remains thwarted by Beijing's constant campaign to discourage members of the international community from fully embracing Taipei's efforts to play a constructive role in regional and world affairs. Regrettably, this involves misconstruing the resilience of democratic change on Taiwan as some sort of latent force for "Taiwan independence". The destabilising military exercises held by Beijing in the Taiwan Strait

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during Taiwan's presidential campaign in 1996 were justified as sending a message against any popular move towards independence. Unfortunately, such a misrepresentation of the political reality in Taiwan tends to distract from the inherently positive benefits that the maturation of democracy in Taiwan offers the world order.

The extent to which multi-party poli-



Mr Siew, pragmatic diplomat

tics in Taiwan has matured is evident in the results of the November 1997 elections for mayors and magistrates. It was a truly local election in which cross-strait issues hardly rated a mention. Voters focused on local concerns: crime, administrative efficiency, social welfare and the performance of officials in office. Consequently the ruling party, the Kuomintang (KMT), won eight seats while the opposition Democratic Progressive Party (DPP), which still had a party platform calling for Taiwan's independence, won 12. The KMT also came in slightly behind the DPP in total votes cast, at nearly 42% versus 43% for the DPP.

Given the overwhelming local focus of the campaign, Beijing should not misconstrue the results as some sort of "national referendum" on reunification with the mainland or independence. The elec-

tion did mark a major change at the local level of politics on Taiwan, but its long-term significance remains unclear. The DPP has historically done well in local elections; however, the results have tended to be quite different in elections for the national legislature and the presidency. These are the elections that can ultimately affect national policy. The next election for members of the national legislature is scheduled for the end of 1998.

Public opinion in Taiwan on how the government should approach cross-strait relations has, in fact, remained fairly consistent. In response to various polls, the majority of voters prefer the status quo, with either a "reunification later" or a "decide later" stance on where relations with the mainland should proceed.

The stability of the Taiwan Strait can only be weakened if Beijing continues to mistakenly view the maturity of democracy in Taiwan as some sort of threat. The mainland regime has so far embraced economic liberalisation but not concomitant democratic change, citing the latter as being "inappropriate" for the mainland. Our experience on the other side of the Taiwan Strait is that economic success can be an excellent foundation for democratisation, but that a democratic form of government is essential for sustaining prosperity.

I know of no Chinese values that clash with democracy or respect for human rights. Democracy has succeeded on Taiwan for a number of reasons; however, one major factor has been the heavy investment by the government in educating Taiwan's citizens over the past five decades. This has created one of the most skilled labour forces in the world and at the same time has cultivated an informed electorate capable of, and insisting upon, exercising independent political judgment at the ballot box. I would argue that the high value Chinese traditionally place on lifelong education argues for a consonance, rather than a divergence, of Chinese and democratic values.

The resilience of Taiwan's pragmatic diplomacy in the face of Beijing's campaign to isolate Taiwan internationally also affirms the positive. East Asian nations, such as Taiwan, have demonstrated the ability to achieve a remarkable rate of economic growth over the past few decades. There is still plenty of potential for further such growth, despite the recent financial turmoil. While no one welcomes such adversity, the Taiwan government feels that this crisis should be regarded as a basis for increasing regional co-operation. Taiwan is ready to play a role in helping the region regain financial stability.